metal in their vaults, should be fixed at the amount of their issue at that time. Above the limit so laid down any notes issued by the banks were to be backed by metal. In the case of the Bank of England the limit then established was £14,000,000, and it was enacted that if any note-issuing bank gave up its right to a note issue the Bank of England should be empowered to increase its power to issue notes against securities to the extent of two-thirds of the power enjoyed by the bank which was giving up its privilege. By this process the Bank of England's right to issue notes against securities, what is usually called its fiduciary issue, has risen to £18,450,000 ; above that limit every note issued by it has to be backed by bullion, and is actually backed by gold, though under the Act one-fifth might be in silver. It was thus anticipated by the framers of the Act that in future any credit required by industry could only be granted by an increase in the gold held by the issuing banks. If the Act had fulfilled the anticipations of the Parliament which passed it, if English trade had grown to anything like the extent which it has done since, it could only have done so by the amassing of a mountain of gold, which would have lain in the vaults of the Bank of England. Fortunately, however, the banking community had at its disposal a weapon of which it was already making considerable use, namely, the system of

issuing credit by means of banking deposits operated on by cheques. Eight years before Peel's Act was passed two Joint Stock Banks had been founded in London, although the Bank of England note-issuing